

## Disappearing between the cracks: HRM in permeable organisations

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**Disappearing Between the Cracks:  
HRM in Permeable Organisations\*\***

This paper is concerned with examining the implications of inter-organisational relationships for human resource management (HRM). To date much of the literature on human resource management has been inwardly focussed on the organisation and its employees. Yet increasingly complex organisational forms and more permeable boundaries may mean that employees working for one organisation are influenced by the HR policies and practices of another. This paper presents evidence from two such case studies, representing different forms of inter-organisational relationship. The implications for the HR function are discussed and it is argued that traditional conceptions of HRM are inadequate to encompass these developments.

**Key words:** Human Resource Management, Inter-firm Relations, Permeable Boundaries, Employment Agencies, Franchising

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## Introduction

The ability to manage across internal and external boundaries is an increasing requirement for organisations in the 21<sup>st</sup> century. Relations between firms are becoming ever more complex, and multiple patterns of interdependencies in the form of networks, alliances and partnerships are developing, that present new challenges for organisations in all sectors (Miles and Snow, 1999). These new inter-firm 'spherical structures' (Miles and Snow, 1999) have a fundamental effect on the nature of the employment relationship. Felstead (1993, p.189) remarks: 'it is becoming harder to determine for whom one really works. Interlocking business relationships are at the heart of this confusion.' Whilst research has been carried out at the level of the organisation to explore the significance of these shifting patterns, very little is known about what these changes mean for human resource management and human resource managers (Sparrow and Marchington, 1998). As Balogun and Hope-Hailey (2002) argue, HR managers can expect that their role will be extended to incorporate boundary management, both internal and external to the organisation.

Almost all the existing literature on HRM is predicated upon the assumption that the role of the HR department is an internal one, focused *inward* on the organisation and its employees (for example, Ulrich, 1997; Wright et al, 1999), rather than *outward* on organisations within the broader external network of the firm. Camuffo and Costa argued in 1993 that the remit of HRM was being extended to include bilateral relationships, and questioned whether the focus of concern for HR departments was shifting from productivity enhancement to managing complex, contractual and implicit relationships at the permeable boundary of the organisation. However, little follow up research has been done to investigate these factors.

The increasing incidence of inter-organisational relationships can mean that employees working within one organisation may be influenced by the HR policies and practices of another firm. Rubery et al (2002) identify some of the key problem areas in the employment relationship within multi-employer environments. Amongst others they highlight the tensions and contradictions that these environments raise in terms of organisational commitment, the use of HRM as a universal employment model, pay and conditions and performance management. They conclude that multi employer environments raise questions about: 1) how to provide effective protection for employees through a legal framework that assumes a single employer; 2) the power and relevance of organisational commitment as a goal within the employment relationship; and therefore 3) the applicability of universal best practice approaches to employment management; 4) the link between skill and pay when people find themselves working alongside colleagues doing exactly the same job, but on different pay scales; and 5) the complexity of performance management when the appraiser may be distant and unconnected from day to day supervision. This issue has similarly been investigated by Swart et al. (2002) in their study of growing, knowledge-intensive firms, whose HR systems were constrained by business-to-business relationships, notably with their clients (Rainnie, 1989; Beaumont et al., 1996). Garsten (1999) has shown how the increasing use of temporary workers within firms makes the interface between different kinds of organisation, such as the suppliers of temporary workers and their customers,

more permeable. Again, however, relatively little is known about the impact that these interdependencies have on human resource management, or how HRM can influence the nature of the relationship.

In this paper, our intention is to present evidence on what inter-organisational relationships mean for human resource management and to further these arguments by examining the role of the HR function in these contexts. We present data on a number of areas of HR practice, which we believe are crucial socialisation processes in normative High Commitment models of HRM. Data are presented from two exploratory case studies, representing different forms of inter-organisational relationship. In the first case study we focus on the relationship between a firm and the agencies it uses for the purposes of labour supply and management. In the second we focus on the franchise relationship, and examine how one firm (the franchiser) influences the employees of another (the franchisee), through HR interventions normally considered as being within the remit of the franchisee. However, first we set out some of the central concepts that organise our understanding of inter-organisational relationships, before going on to explain the methods employed in data collection. We conclude with some observations on the contradictions and tensions inherent in these workplaces for managers and employees, and for HRM and the HR function.

The recognition in recent years of the need to acknowledge the existence of complex and influential networks, that extend beyond traditional organisational boundaries, has led to attempts to categorise these types of "externalisation". As Rubery et al (2003) have noted, one such categorisation is the distinction between contracting relationships which are "transactional" and those that are "relational". Expressed starkly, the contracting situations which fall into the latter category are characterised by evidence of collaboration and co-ordination between the two contracting parties, and between workers and managers. Yet within that definition there is an underlying assumption of a unitarism rather than pluralism within the employment relationship and workplace relations and a wish to extend that unitarist approach "to those outside the organisation" (Rubery et al, 2003, p.268). Transactional relationships are presented as relatively unproblematic in the same way that the "core" and "periphery" distinction in internal labour markets was presented by Atkinson (1984) over twenty years ago.

Whilst this categorisation might help to sweep away possible problems in the minds of strategists in the planning departments of corporations, recent research suggests that in the workplace there are certain tensions that are manifest in everyday behaviour and practices where workers are employed in a multi-agency setting. For instance, with whom does an agency worker identify – their actual employer, or the owner of the workplace and employer of their colleagues with whom they interact (Legge, 1995). How is control and power enacted when lines of authority are blurred? Do line managers and work colleagues define their everyday working relationships in terms of relational or transactional categorisations and if not how do they manage? Rubery et al's study of contracting within an airport setting concludes that co-ordination and control was possible, not because of the establishment of strategically defined shared goals between contracting partners, but because of "the identification of common interests amongst groups of employees" (2003: p. 285).

The organisational group that might be expected to attempt to manage these tensions and contradictions is the HR function through its interaction with employees from different employers, and its attempts to reconcile dual HRM systems and practices within the workplace. Recent research on the HR function within single employer settings has highlighted the continuance of role conflict and role ambiguity for the function (Caldwell, 2003). Yet little is known of its attempts to manage role conflict and ambiguity in multi-employer contexts. For instance, how can a function fulfil a strategic partner or change agent role, when many contributing employees are subject to HRM systems that are out of the function's control? In the same contexts how can vertical or horizontal fit be achieved in the search for higher business performance?

### **Methodology**

This paper is based on two exploratory case studies. The first case study concerns one production site of Euro Cars, a major global car manufacturer. The second concerns Car Sellers, a leading automotive services company. Both case studies involved a series of semi-structured interviews with senior management, HR directors and managers and managers responsible for operational aspects of the business. The Car Sellers case study also involved focus groups conducted with line managers and staff. A 'vertical slice' approach was used to select the interviewees, so that data could be collected on both policy and actual implementation. In both case studies data were also collected from third party organisations, where a relationship of influence concerning HRM practice existed. In the case of Euro Cars this involved interviews with the on-site managers of each of the agencies, which had a labour supply contract with Euro Cars. For Car Sellers interviews were conducted with training managers in two car manufacturers, for whom Car Sellers acted as a franchisee. The Regional Manager of one manufacturer responsible for managing the Car Sellers franchises was also interviewed. The purpose of the interviews was to gain an understanding of how the practice of HRM in the agencies and in the franchises was influenced by organisations that they had some form of business relationships with.

All interviews were tape recorded and transcribed. The transcripts were then content analysed and relevant themes extracted. Secondary sources such as company publications and in house documentation were also consulted. As both the companies selected the individuals to take part in the study and the samples are relatively small, we unfortunately have no assurances regarding how representative their views are.

In presenting the findings, we focus on HRM activities mainly in the areas of recruitment and selection, training and development, performance management and employee relations, in order to illustrate the nature of influence on the role of the HR department and to examine the wider implication for the HR function.

### **Case one – Euro Cars and their agencies**

#### ***Background***

This case study is concerned with examining the influence Euro Cars exercises over the way in which agency employees at one of their UK factories are managed. Euro Cars is a global car-manufacturing corporation. Throughout the 1990s the company

had gone through considerable merger, acquisition and divestment activity and as a result, at this site there had been a history of downsizing. Early 2001, a new model was launched at this factory. This model was a departure from Euro Cars' key market and as a result senior management were unsure about the demand for this vehicle. In order to help manage this uncertainty and, because of the wish to avoid the anguish and upheaval of the previous two decades of restructuring and redundancies, senior management wanted to introduce a more flexible approach to the management of labour.

Three employment agencies were approached to supply labour to the different technology areas: building the body shell (a largely automated process), the paint shop and the vehicle assembly. In order to cope with uncertain demand temporary agency staff were used to supplement the core workforce. Since production began the proportion of agency to permanent staff had varied quite considerably. Early results showed a very healthy demand for the new model and as demand increased, so did the number of agency staff. By the end of the first year there were approximately 2400 agency employees working alongside 1000 core workers, deployed on three shifts, working seven days a week. At the peak, 80% of the workforce were temporary agency employees. This level was not felt to be sustainable in the longer term. In Euro Cars' other European plants temporary employees would typically make up about 20% of the workforce. There was also opposition from the trade union at the plant, who had originally agreed to a figure in the region of 30% of the workforce being temporary agency staff, in order to accommodate business fluctuations.

"you have to imagine that all this time the idea of temp employees does not sit comfortably with trade unions, . . . The benefits to them – it protects the core, permanent workforce and allows all the flexibility of the holidays etc. Whilst they accepted that this was essentially a *fait accompli*, at the same time they were concerned about the numbers being so high. Their own view was that we should be in line with our Euro Cars European colleagues." HR manager

In response, Euro Cars offered 800 temporary agency staff permanent Euro Cars contracts and as a result, the proportion of agency staff was reduced. At the time of the case study research the total figure of temporary staff was 1450, alongside a figure of just over 1800 core Euro Cars staff.

### ***The role of the agencies***

At the time when the research was conducted the agencies had had contracts with Euro Cars to supply labour since production of the new model began (almost 2 ½ years). Their role was to supply labour to the relevant technology area and to carry out day-to-day HR activities for these staff, similar to the partnering relationships described by Purcell and Purcell (1999). Effectively this included maintaining employee records, administering payroll, dealing with staff uniforms, monitoring absence and dealing with disciplinary and grievance matters. They had offices on site and employed HR staff to carry out these activities. Contracts between Euro Cars and the agencies were agreed for one year and were renegotiated on an annual basis. Euro Cars was keen for the agencies to operate in similar ways and had run a number of Continuous Improvement workshops, in order to try and harmonise practice across the agencies

and spread good practice. All three agencies were included in this research, however, due to space considerations, data on only two of the three agencies are reported here.

Agency A had been on site the longest. They had worked with the previous owner of the factory for one year prior to the Euro Cars takeover. They had provided them with up to 1200 agency employees across all areas and were the sole agency. They supplied labour for the assembly area. Initially, they provided Euro Cars with 1000 people and this had risen to a peak of 1500. At the time of the case study Agency A employed approximately 800 people, which represented 50% of the people who worked in assembly. They have been able to handle this downsizing by means of natural wastage. There were 13 staff in the Agency A on-site office.

Agency B viewed themselves as business partners with Euro Cars, not just a labour supply agency. They felt that their relationship with Euro Cars made them almost an extension of the in house HR function. They had 4 staff in the on-site agency office, who worked hours to cover all shifts worked by their employees. They provided staff for the paint shop and for logistics activities. At the time of the research, staff numbers were 420, 80% of whom were in the paint shop and 20% in logistics (forklift truck and car drivers). In the first year they provided up to 650 staff. Euro Cars offered permanent contracts to about 250 of these.

Euro Cars management recognised that there are some disadvantages that have to be balanced against the advantages of flexibility when working with agencies. Whilst line managers in particular stressed that, once on the line, it was impossible to tell the difference between Euro Cars and agency staff, there were some concerns over the impact of operating with these levels of agency staff.

"44% are temporary people. They want a permanent contract that we can't deliver at the moment, for all sorts of business reasons – so we don't perhaps know what impact that is having on people; that might be anything from motivation, morale, to obviously in the extreme people leave"

At the time that the case study was conducted there was a particular concern about the high levels of labour turnover amongst the agency staff.

"When you are losing people that have been trained and losing skills, recruiting new people and training them – I think that can be a concern."

### ***Recruitment, selection and induction***

All the agencies indicated that they had little problem recruiting staff and that most applicants came by word of mouth (including via Euro Cars' staff). Euro Cars was seen as a good place to work in the area, even for the agency workers. Both the pay levels and the shift patterns were seen to be attractive. All agreed that part of the 'offer' of the agencies was the prospect of a full-time job with Euro Cars.

The approach to selection was largely determined by the agencies, but had been influenced by Euro Cars when the relationships were set up. An operational HR manager expressed the view that the agencies were the experts in recruitment and as a result they did not wish to intervene in the process. Their only concern was that the agency delivered them the quantity and quality of appropriate staff. Consequently, they would only get involved when there was a change to work processes, which had an impact on the type of skills or competencies required. Recently, when a fourth

agency had been recruited to provide holiday cover in the assembly area, Euro Cars had worked with them by 'test driving' their selection process, putting a number of good existing employees through the process to see if these people would have been selected.

Agency A, for example, did initial telephone pre screening for the minimum criteria set jointly by Euro Cars and the agency. Subsequent assessment tests included both those prescribed by Euro Cars and standard agency tests selected by Euro Cars at the outset. The selection tests used by Agency B had been devised by Agency B in consultation with Euro Cars line managers.

Originally induction had been done individually by the agencies, except for the health and safety (H&S) element which Euro Cars was legally required to do. However, more recently, there had been a move to conduct induction training jointly by the agencies and Euro Cars. Recently they had had a Continuous Improvement workshop on induction and the following had become practice. Induction was a full day which took place prior to the person starting work. The first part was conducted by Euro Cars, with all new starters together for this part, which covers the history of the company, H&S, a tour of the plant and issuing of uniforms. There was also a presentation by the site trade union. In the second part there were agency inductions regarding for example, shifts, breaks, absence, payment, holiday requests. The agencies indicated that they also used this occasion to try and establish the company's identity.

### ***Training and development***

In this area Euro Cars were highly involved. In all cases training for the job was undertaken by Euro Cars and was seen as the responsibility of line managers.

"On the training side we will carry out a lot of training anyway, so somebody coming into a particular welding area would get a quite intensive two week training programme in a welding school here."

Euro Cars managers believed that, given the technical nature of the training, the agencies would not be able to deliver it. In addition Agency B ensured all their staff were given a buddy (either an agency or a core employee). Agency A offered the opportunity for other training (including 'soft' and computer skills) to all their staff via their website or in their branches. Agency A staff indicated that they did not believe many employees at Euro Cars took advantage of this however.

Some development opportunities did exist for agency staff. Promotion to area co-ordinator roles was possible, but wholly at the discretion of Euro Cars. Line managers wishing to promote an agency member of staff would make out a case without any involvement of the agency HR staff. The agency was simply informed, so that they could implement the pay rise. In practice, the agencies indicated that they steered good people towards co-ordinator roles and if appointed they tended to be offered contracts by the manufacturer. However, agency staff were not allowed to apply for the manufacturers' internally advertised posts, even if qualified.

### ***Performance management***

Conversely, Euro Cars were not involved to any great extent in the performance management of agency staff. Although line managers operated a performance manage-



ment system for permanent staff, they did not include the agency staff in this process. Agency A had its own system and asked line managers to complete forms for each employee. However, not all Euro Cars managers were very co-operative with this, since they did not see someone else's staff as their priority. In the regular meeting with Euro Cars, the agencies and the trade unions, this lack of feedback for agency staff was often raised as an issue. Staff keen to gain a permanent contract were interested in getting feedback on their performance. Agency A also ran 'employee of the month' and gave awards based on excellent appraisals. Agency B had been more successful in getting some co-operation from line managers. They contacted the shift manager after a new starter's first week to see how the person had got on and again after one month when they also did an individual review. They did another review after 3 months and then at 6 monthly intervals.

### *Employee relations*

Both agencies reported a level of trade union membership over 90% amongst their staff and recognised the need to work with the unions — they were seen as playing a central role at this plant. They said they enjoyed good relations with the union, although one agency was not accustomed to working with trade unions elsewhere. Euro Cars was also highly unionised and the head HR manager indicated that, given the context, it was necessary for them to recruit agencies who were willing to work with trade unions.

The grievance and disciplinary procedures were broadly similar across the agencies and closely mirrored Euro Cars' own procedure. The trade union had been keen to see fairness across all staff. However, the full procedure only came into force after 3 months, when employees got a permanent contract with the agencies. Prior to this a 'three strikes and you are out' approach applied. This difference goes some way to explain the lower levels (than Euro Cars' staff) of absence amongst agency staff, but also the higher level of labour turnover. Euro Cars' HR function were not involved in the disciplining of agency staff, unless a Euro Cars member of staff was involved. In practice though, disciplinary issues were often raised by line managers:

"when it comes to disciplinary issues then that is dealt with by the agency, so they act as HR function for their people. Clearly the first point of contact is the manager, but if the manager is not happy with some aspect of performance, attendance, timekeeping, that would be flagged up to the agency . . . the manager would be involved with that and with our trade union representatives." HR Manager

Agency B indicated that they saw themselves as playing the 'traditional HR' role in the disciplinary and grievance procedures. Agency A explained their role as a mediator between the member of staff (their employee) and the manager (their client).

The agency staff were employed on a different set of terms and conditions from Euro Cars staff. Euro Cars exercised a high degree of intervention in setting the terms and conditions for the agency staff and were keen to maintain a differential with the permanent staff. The agency staff were paid significantly less than the core workforce:

"In the early days we set the pay rate ... it was less than our people were getting. We created a new grade within the grade structure and typically the pay rate was 18% less than Euro Cars people got." HR Manager

There was a pay parity agreement (instigated by the manufacturer) across the agencies, although there were some differences in the benefits offered. More recently it was decided by the manufacturer that negotiations would take place separately,

“we said to the agency that they would have to negotiate any increase separately – that would be with the TU reps and we would have to discuss the knock-on effect of the increases in terms of the charges to us because of purchasing.” HR Manager

Euro Cars was still seen as highly influential in setting pay rates. The process involved the trade unions proposing a pay rate for the following year and negotiating with the agencies. Euro Cars could then veto rates in the tender and renegotiate with the agencies over a new rate. The agencies had to try and judge what rate Euro Cars would accept. Any changes to benefits also had to be agreed with Euro Cars, for example, anything above the stipulated statutory minima in relation to sick pay and holidays.

All agencies indicated that they felt their staff identified with Euro Cars and would say to outsiders that ‘they work *at* Euro Cars, not *for* the agency’. All staff wore the Euro Cars’ uniform and all interviewees said that on the line you would not be able to tell who was a company employee and who was an agency employee. Despite this, all the agencies had made attempts to develop their own identity as an employer also. For example Agency A produced a newsletter, ran staff forums, arranged social events, and negotiated discounts for their staff (e.g. at the local fast food restaurant adjacent to the plant).

### ***The role of the HR department***

The head of HR indicated that meetings took place regularly between Euro Cars’ HR function and the agencies:

“We have a monthly meeting with the three agencies on site and we call that a steering group meeting, so it is a sharing communication meeting and the trades unions come in and get involved,”

and that part of their role was to ensure the agencies worked together:

“It happens both ways, we do it through this steering group ... and they all work together and contact each other as well. It is important that we have inter-agency co-operation. We said that right at the start, there are three on site and we expect them to work together and not against each other.”

The HR function tried to build co-operative relations and as such allow the agencies to use certain office services and facilities:

“The three agencies we started off with, they have been with us for over two years and we have established a relationship. They have access to our systems so they can get onto our network and time management systems, which is used for attendance for example, there are direct links and they have access to that.”

This had also been reciprocated:

“you take Agency A they are developing their IT systems so they directly link up with our time management system, so that they can electronically run their pay – so there is work and investment going into that.”

Even though in some areas Euro Cars were highly influential in determining how the agencies managed their staff, the HR department was aware that the agencies did try and build their own identity.

Considering the overall climate and employee relations the HR manager said:

"Although I know there are times where there are comments made about a climate of dual treatment, as some would describe it – people not getting the same rate of pay – but we have made a business decision to conduct our business behind temporary people. What we want to do more than anything is protect the core workforce and the way that things have worked in the past, when a model changes – one model runs out, a new one starts, or fluctuates – the way we would have done it in the past is that people would have been laid off work between models."

HR observed that the lateness and absence rates were better with agency staff than they were with Euro Cars staff. The reasons for that were obvious: Euro Cars staff got paid for being off sick from day one whereas agency staff did not. The agencies also took a fairly tough approach to absenteeism within their disciplinary structures.

How did HR people within Euro Cars reconcile this dual treatment within the plant?

"OK it is not a permanent contract but it is a good job, it is as secure as it could possibly be ... and the rates of pay, albeit a little bit less than our own people, are way above anything else you are going to get in the area."

Nevertheless, within the workplace day-to-day experience, HR wanted to eliminate that sense of dual standards:

"What we want to achieve is this kind of thing of identity and we are in this together and working together and part of one team and that is important in terms of making sure that the shirts with the model's logo on and all the nice work wear – brightly coloured jackets with the car model's badges on and so on – we want to create that as much as possible, but I suppose it is always difficult when you have a situation where the reality is that all things are not equal."

## **Case two: Car Sellers and their manufacturers**

### ***Background***

This case study is concerned with examining how the management of human resources in franchise operations is influenced by the franchiser. Car Sellers plc is an automotive services group and is the largest independent automotive retailer and distributor in the world, representing most major car manufacturers. There are four main business areas within Car Sellers UK: Retail, Vehicle Contracts, Fleet Solutions and Personal Finance, and the majority of the 3,000 strong UK workforce are employed in the Retail division, which represents 18 major vehicle manufacturers. Four manufacturers were included in this research, however due to space considerations we report data on just two here: Prestige Cars and Family Cars. These manufacturers employed regional managers and peripatetic line managers responsible for dealerships within geographical areas. The regional managers formed an important lynchpin in the relationship between dealer and manufacturer.

The HR team had two main areas of activity. The first was establishing overall HR policy for the company, writing policy documentation and setting standards. The second was providing consultancy services to line managers, particularly the General Managers who ran the dealerships. This support included an employee handbook, an intranet site, Car Sellers on-line University, self-development tools, and employment

law guidance notes. At the time of the research, there was no overarching HR strategy statement, although work had begun on developing one.

### ***Role of general managers***

At Car Sellers, the implementation of HR policy was devolved to the General Managers (GMs), who were responsible for all aspects of running the dealerships. Those interviewed felt confident with their own levels of expertise in HR matters, and with the back up provided by the HR department. Several of the managers were keen to stress that they would not want the HR department to be 'too close' or to 'interfere':

"For HR to get involved in the implementation in the dealership would be disruptive. It would send out confused messages for employees as to who they would have to relate to." (GM)

However, this meant some GMs avoided using the HR department:

"Some of the GMs see themselves as running their own business, and, therefore, you know, they wouldn't dream of ever involving HR in it because it'd be seen as a weakness for them." (GM)

GMs were responsible for staffing levels, recruitment, job design, training needs analysis, appraisal, holiday entitlement, pay, termination, grievances, HR record keeping, and career development for their staff. One consequence of this autonomy was a marked variation in management style across the firm:

"we do have policies and procedures and things like that, that we get everybody to adhere to, but things are done differently here dependent upon who's running this company as they would be to someone in a different part of the country with a different franchise with different people." (Line Manager)

These differences in style and approach impacted on the employees and their experiences of working for Car Sellers. The focus groups were, for some, the first occasion they had been able to meet with others working in similar jobs in other dealerships:

"I can't believe half of what I'm hearing here, I'm just gob smacked. I can't believe that we work for the same company."

This meant that any attempt by the central HR team to develop and implement HR strategies, or to inculcate a core set of values throughout the organisation was hindered by personal idiosyncrasies.

We found that the employees were largely unaware of the existence of the central HR department. This very much reflects the powerful position of the General Managers as people managers within their business units, and the explicit decision made by the HR Department not to play the 'employee champion' (Ulrich, 1997). This lack of knowledge of the HR department appeared to equate to lack of trust in the eyes of some employees:

"[a lot of people] are too scared to contact human resources, because they don't know if they're going to get back on to the general manager and you could get sort of intimidating repercussions." (Employee)

The general feeling that the HR department was 'remote' from the employees was exacerbated by the communication structure of the company with its reliance on the intranet. Not all employees had personal access to a computer. The lack of awareness of many that the company even had an HR department was coupled with a general

lack of communication and identity with the company as a whole, which was perceived as remote and unknown.

Although other studies have found significant differences between line managers in terms of the way they implement HR policies (McGovern et al., 1997), in the case of Car Sellers, these differences would appear to be amplified because of the extent of devolution of HR activities, the autonomy of the business units, the variation in demands of the manufacturers and the number and geographical separation of the HR managers. These factors appeared to limit the ability of the HR team to enforce consistency of practice except in the most general of terms.

### ***Recruitment and selection***

It was clear that the manufacturers had a significant voice in terms of the staffing of the dealerships, especially at a senior level:

“if they’re not happy with the GM of any dealership, they can remove the franchise from us as well. They have a lot of power over the dealership.” (HR Manager)

Some manufacturers were more involved in recruitment and selection than others. Prestige Cars had very little involvement in the recruitment of staff into the dealerships, placing just between 50-60 people a year across their whole network; the Training Manager said, ‘they can recruit who they want’, although the Regional Managers would normally give informal approval to new appointments at GM level. Family Cars recruited around 95% of the apprentices joining the dealerships as technicians; recruits had to pass the Family Cars assessment, but the dealerships decided whether or not to take on the individual concerned. They also set up a graduate recruitment programme a few years ago, although this had been abandoned because the dealers were not keen to take on the graduates. This had been a deliberate exercise in trying to change the culture in the dealer network: ‘we thought that bringing in these sort of people, they would start to change the culture’. This is an interesting insight into the deployment of non-coercive power within the franchise relationship. The Training Manager explained:

“The culture in our dealerships is not 2002. In some dealerships, it’s still 1960s. It’s difficult to get that to change. What tends to happen is that managers tend to recruit in the same mould as they are. If they’ve been in the business, 20, 30 years, they were a salesman 20 years ago, they tend to recruit in the same mould and so the business doesn’t move on and new business practice is not being taken on board.”

This illustrates the converse side of the dealer-manufacturer power relationship, where the manufacturers are dependent for the sale of their products upon the way in which the dealers enact their contractual standards in daily practice. Ultimately, there are clear limitations to the direct control which the manufacturers can operate in this relationship. Family Cars were not involved in the recruitment of Dealer Principals or General Managers, although the Training Manager was of the view that recruitment was generally not handled very well by the dealers, and that greater intervention on their part into the process would lead to better hiring decisions.

## *Training and development*

One of the most obvious ways in which the manufacturers' influence impacted on the employees was through training, especially when new products were launched:

"We've got a new model coming out in the next few weeks, and straight away there's an influx of training courses that are available, both from the manufacturer and from HR."  
(Employee)

From the employees' perspective within the dealerships, training was very much manufacturer-driven. In this way, the manufacturers' needs could take priority over individual or HR's needs in order to bolster the dealership's financial performance. Thus, a significant aspect of the employees' total work experiences derived from external sources beyond the influence of Car Sellers' HR function. Some manufacturers linked dealer participation in their training and development programmes to financial incentives, thereby exercising direct control over the content and quantity of employee training in the dealerships.

Training interventions provided by the manufacturers ranged from the provision of 3-year NVQ apprentice training, through induction training for new recruits, product-related training for technical and sales staff, to management skills training. At Prestige Cars, the ethos up until recently was that they provided a suite of training programmes, and it was up to the dealers to decide whether or not to send people on them. Recent changes meant that the number of technicians to be employed in the dealerships was now specified, along with a minimum number of training days per employee and an annual training plan was required for all members of staff with brand responsibility. The Training Manager explained:

"I think it will be quite revolutionary for us, as a manufacturer, to go to, say, Car Sellers and say, 'what do you want from us?' Because they're used to us producing a brochure and them deciding what they want from that ... we're trying to move away from a provider of training courses into a department where we've got some responsibility for the capability of the network."

This raises a number of interesting points. Firstly, the relationship is clearly one that fluctuates over time and reflects issues of negotiated order between the two parties (Strauss et al., 1963). Secondly, it provides a further illustration of the way in which the manufacturers are not able to exercise direct control over the way in which their products are serviced and sold. In order to reach the dealers' employees, they are required to find ways of working at an at least apparently collaborative level.

Family Cars had developed a competency programme covering 25 different jobs in the dealerships, specifying three levels for each. Their new standards programme included the requirement for sales staff to have an annual training plan relating to the competency programme, and part of the dealer's margin rebate related to training; they reported a 100% increase in the training of sales staff when this was introduced. In addition, Family Cars rewarded individual participants through a car subsidy scheme – the only instance of a manufacturer directly rewarding dealer employees (with the exception of sales competitions). Family Cars was also the only manufacturer to have established direct links with a business school to run a university-accredited programme for its dealer principals.

The focus of training provision from all the manufacturers was on product-related training and on the brand; one manufacturer referred to the induction training they provided as putting 'green blood' into the new recruits, referring to the company's corporate colour. Underlying the majority of this training provision was the implicit goal of tying the dealer's employees into their brand, rather than equipping them with transferable skills. The Training Manager at Prestige Cars articulated this as follows:

"The last thing we want to do is spend a lot of time and energy training up a salesman or technician for him to go to one of Car Sellers' other dealerships"

and

"they feel a very strong affiliation to us ... so they have a dual relationship, if you like. They feel very much part of us, part of the global brand, but they also work for Car Sellers, or one of the other dealerships, ... living the brand, being involved in the brand that we represent is important for us, you know, they're the interface with the customers and we want to influence them as much as we can."

The manufacturers wanted the dealers' employees to identify with them and they were using the medium of training, in part, to achieve this.

### *Performance management*

One potential area of conflict within the manufacturer-dealer relationship concerns where the individual employee's loyalties were expected to lie: with the brand, and the manufacturer, or with the dealership and the dealer group.

Although it may be in the interests of the manufacturer to encourage individuals to move between dealerships (rather than, say, losing their skills to another manufacturer), there are potentially negative consequences for their relationship with the employing dealer groups which make it inadvisable to intervene. In this way, the dealers are able to exercise an indirect form of power over the manufacturers. Thus, the tension between the dealers and the manufacturers is clear: whilst the dealer would like to retain high performing individuals within the dealer group, the manufacturers have every incentive to retain the employees within their brand. Prestige Cars' new initiative of awarding 'training passports' to technicians who had attended their courses met with complaints from the dealer principals for just this reason. An allied tension in the relationship between manufacturer and dealer employees was also brought to light, illustrated by an incident that happened at Prestige Cars. The company had organised a competition for top sales people and the prizewinners were contacted personally. This caused the General Managers to complain that the manufacturers should only communicate with their employees through them, not directly.

Prestige Cars had no involvement in career management or promotions within the dealerships. Family Cars' Training Manager explained that their main involvement in career management was in terms of managing poor performance. If an instance of poor performance arose, then a meeting would be held with the General Manager, who would be told:

"Either we've got to develop this guy, or you'll replace him. Now let's see if we can develop him.... if it makes no difference, then you may have to do the other thing."

Perhaps unconsciously, the Training Manager here appeared to assume joint responsibility for the employee when discussing retraining ('let's see if we can develop him'), whereas responsibility lay with the dealer to deal with the less palatable consequences ('you may have to do the other thing' (i.e. replace him)).

Interestingly, in the focus groups with Car Sellers employees, it became apparent that some employees had had little or no performance feedback from their GM or the HR department, whereas they had from the manufacturer:

"The only feedback I've ever had is from [the manufacturer] in the two years I've been here, not from Car Sellers." (Employee)

This further reinforces the notion that the employee's relationship with the manufacturer may be stronger than their relationship with their employing organisation.

### ***The role of the HR function***

Although the interaction with the manufacturers was a key concern of the business, and the manufacturers had both direct and indirect impact on Car Sellers' employees, Car Sellers' HR function appeared not to be involved in these interactions. Consequently, the HR department members were not necessarily aware of what training and development were being offered to their staff by the manufacturers, or how they were being appraised on their performance. There was no evidence of any monitoring of this taking place. One potentially negative consequence of this was highlighted by an employee:

"[the manufacturer] demand so many courses, but it doesn't matter who does them, providing those courses are done by somebody. So you could get some staff members not going on any courses.. you could, in theory, end up with the most expendable person doing all the courses'

The decision about who to send on training courses appeared to be made in such a way as to comply with manufacturers' requirements, rather than with any strategic or developmental purpose in mind. The fact that the manufacturers interacted directly with GMs and employees without involving the HR function was reflected in comments from HR managers, General Managers and employees, for instance:

"they [manufacturers] have completely separate programmes that they will deliver, training programmes, development programmes, and in terms of HR we don't necessarily have any dialogue with the manufacturers. So you have a GM who works with the manufacturers to determine what they need and then a GM who works with HR to determine what they need and the two are completely kept separate." (HR Manager)

In the eyes of the employees, their relationship with the manufacturer was separate from their much more tenuous relationship with Car Sellers' HR Department. For the General Managers, the decision of whether or not to take part in manufacturer training was viewed as a business issue, beyond the remit of the HR department:

"It could be a minimum requirement of a xxx franchise is for everybody to go on a particular training thing. Now HR won't have any input on that, we would decide as a business." (General Manager)

Training and development of employees were viewed in this context as a business issue, beyond the remit of the HR department, and concerned with the relationship between manufacturer and dealer's employees. The boundary between manufacturer and



dealer therefore becomes blurred, as unconsciously exemplified in this comment from the Training Manager of Family Cars, who spoke of the dealer staff as if they were his:

"One of the issues we've got is that turnover is so high in our industry ... if we can recruit good people, pay them right, treat them right, they feel part of the business, and they feel they're being thought of as people as opposed to employees, then we'll start to get that turnover down, we'll start to improve customer retention, customer service."

Thus, the manufacturers have a direct interest in the HRM practices within the dealerships; retaining the customers who buy their cars depends on the behaviour and performance of individuals employed by the franchisee (Truss, forthcoming).

### **Discussion and conclusions**

These two preliminary case studies, although somewhat limited by extent of the data available, nevertheless shed some new light on how HRM is enacted and interpreted within inter-organisational relationships. Both cases demonstrate how the practice of HRM within an organisation can be significantly influenced, in both direct and indirect ways, by an external organisation which the employing organisation has some form of business relationship with.

First, we noted that the contractual nature of the relationship between the firms meant that there was an impermanence, as the contracts were continually up for renegotiation. The agencies who supplied labour to Euro Cars were dependent on them for retaining their contracts, which were renewed annually and Car Sellers were dependent on the manufacturers for retaining their franchise. In both cases these organisations were more or less coerced into complying with the requests and standards. The contractual relationship meant that dependency was a fundamental feature of the relationship, and there was an imbalance of power that was generally resolved in favour of the contractor. The agencies, in the case of Euro Cars, and the franchisee, in the case of Car Sellers were in a relationship that ultimately depended upon continued legal affirmation by their contractors, and so the economic power of the relationship was skewed in their (the contractors') favour.

The second point we noted was that each of the organisations within the relationships created a different set of demands. In both the case studies, the organisations concerned were in multiple relationships – Euro Cars retained the services of three different employment agencies and Car Sellers acted as franchisees for 18 car manufacturers. Each of these relationships was slightly different, suggesting that a complex web of negotiation was operating. One consequence of this was that, in either case study setting, at any given time, individuals were employed on the basis of quite different employment and psychological contracts, a phenomenon noted by Rubery et al as problematic (2002). At Euro Cars, this was particularly noticeable, because these differing relationships were all enacted within one location, and the differences in terms and conditions of employment were clear to everyone. At Car Sellers each manufacturer played a different role in terms of the training they offered to Car Sellers' employees, recruitment of staff and managers, and performance management.

The third point concerned individual identity. It was clear that there was a tension within the relationship in terms of who the employee perceived they worked for. Within Car Sellers, the employees were heavily influenced by the car manufacturers,

and appeared to identify more closely with them than with Car Sellers, their actual employer. Similarly, in Euro Cars, the agency staff appeared to derive their identity more from Euro Cars and the product they were manufacturing, than from the agency which employed them. In these cases this could be attributed, at least in part, to the strength of the brands, but the direct intervention in the day-to-day practice of how employees were managed by an organisation not party to the employment relationship, raises important questions when employee commitment is increasingly seen as critical for delivering competitive advantage (Guest, 1998).

Neither of the relationships examined here would appear to be either purely transactional or relational (Rubery et al, 2003), instead elements of both seem to co-exist. We observed that there was a somewhat uneasy tension between the organisations as they sought to balance co-operation and control over each other and over the employees. This was manifest, for example, in the recruitment and selection of employees, a process in which both firms were involved in both case studies, each with their own set of criteria.

It is interesting to note that these interdependencies were all being played out within the automotive industry. At the manufacturing end, Euro Cars employed agency staff situated within their factories and working alongside their own employees whilst, at the retail end, the manufacturers contracted with franchisees to sell their cars and entered into an indirect relationship with the employees of Car Sellers. This is an interesting insight into the forms of network relationships that can emerge within one industry. An area for further research would be to explore whether similar relationships are replicated elsewhere and what other forms of inter-organisational relationship may exist.

What is the role of human resource management within this web of interdependencies? In Car Sellers, the HR department appeared to be playing a largely hands-off role, allowing the manufacturers to exercise whatever direct and indirect control they wished over their employees, notably in the area of training and development. In Euro Cars whilst HR managers stated that they wanted the agencies to manage their own staff, in many areas they had been highly interventionist, notably in relation to setting terms and conditions and the training and promotion of agency staff. Although the agencies were keen to comply with their clients, they also wished to develop their own identity as employers and particularly in the case of Agency A, who is a very large employer, at times struggled to reconcile their own corporate policies with those of the client.

This research, preliminary though it is, sheds light on the importance of permeable organisational boundaries for conceptions of HRM, as highlighted by Rubery et al (2002) and Swart et al (2002). If Car Sellers' employees are more directly influenced in HR terms by an external organisation than by the HRM department at the company's head office, this has implications for the limits of HRM departmental control. If nearly 50% of production workers at Euro Cars are employed by agencies and subject to different and variable HR practices from those labelled as 'core', it raises questions of how can a unity of culture and brand can be a contribution of an HR function. Furthermore, in such circumstances, how can the influence of a company's HR policies

and practices on employees be evaluated, or a link between HRM and organisational performance be established?

These issues go some way towards suggesting that our traditional conceptualisations of HRM, and many of our current preoccupations, are based on an outmoded understanding of the nature of both HRM and organisations. Perhaps the way forward for HRM, as Camuffo and Costa (1993) have argued, lies more in demonstrating their value and worth through the efficacy with which they manage relations at the boundary of the organisation, than with seeking to demonstrate a causal linkage between HR interventions, HR department behaviour and organisational outcomes. In the case of Car Sellers, the interface with the manufacturer is clearly fundamental to their operations. Their HR department had taken a deliberate decision not to become involved in these relationships, leaving it instead to the individual dealerships and the line managers to create and sustain effective partnerships. Euro Cars' decision to rely heavily on agency staff meant that a considerable part of what is normally considered as being within the remit of the HR department was driven to a great extent by the agencies working with temporary staff located within their factory. If HR departments deliberately eschew their potential role in creating and sustaining these relationships, then they are missing out on a fundamental means of contributing to success in the modern, networked organisation. Precisely what this means and how this role can be enacted need to be the subject of further, more detailed research.

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